



**FEDERAL ELECTION COMMISSION**  
WASHINGTON, D.C. 20463

**Rod Anderson, Treasurer**  
**Missouri Democratic State Committee**  
**P.O. Box 719**  
**Jefferson City, MO 65102**

**JUL 7 2009**

**RE: MUR 6202**  
**Missouri Democratic State Committee and**  
**Rod Anderson, in his official capacity as treasurer**

**Dear Mr. Anderson:**

On June 24, 2009, the Federal Election Commission found that there is reason to believe the Missouri Democratic State Committee (the "Committee") and you, in your official capacity as treasurer, violated 2 U.S.C. § 432(h)(2), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). This finding was based on information ascertained by the Commission in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. § 437g(a)(2). The enclosed portion of the Audit Report of the Missouri Democratic State Committee, which is dated January 27, 2009, serves as the Factual and Legal Analysis.


We have also enclosed a brief description of the Commission's procedures for handling possible violations of the Act. In addition, please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. See 18 U.S.C. § 1519. In the meantime, this matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

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If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed Designation of Counsel form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

We look forward to your response.

On behalf of the Commission,

  
Steven T. Walther  
Chairman

Enclosures  
Audit Report  
Procedures  
Designation of Counsel Form

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# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the Missouri Democratic State Committee (MDSC), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act. 2 U.S.C. §438(b).

### **Scope of Audit**

This audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The disclosure of contributions received.
4. The disclosure of disbursements, debts and obligations.
5. The disclosure of expenses allocated between federal, non-federal, and Levin accounts.
6. The consistency between reported figures and bank records.
7. The completeness of records.
8. Other committee operations necessary to the review.

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## Part II

### Overview of Committee

### Committee Organization

<b>Important Dates</b>	<b>MDSC</b>
• Date of Registration	September 15, 1980
• Audit Coverage	January 1, 2003 – December 31, 2004
<b>Headquarters</b>	Jefferson City, Missouri
<b>Bank Information</b>	
• Bank Depositories	One
• Bank Accounts	Five Federal, Two Non-federal, Two Levin
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Rod Anderson
• Treasurer During Period Covered by Audit	Michael Kelly (1/1/03 – 6/19/04) Rod Anderson (6/20/04 – Present)
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

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## Overview of Financial Activity

(Audited Amounts)

<b>Federal Cash on hand @ January 1, 2003</b>	<b>\$ -99,666<sup>2</sup></b>
o Contributions from Individuals	\$ 1,177,122
o Contributions from Other Political Committees	561,350
o Transfers from Affiliated Party Committees	1,422,236
o Transfers from Non-federal and Levin Funds	1,293,963
o Offsets to Operating Expenditures	55,250
o Other Receipts	35,378
<b>Total Federal Receipts</b>	<b>\$ 4,545,299</b>
o Operating Expenditures	\$ 1,899,952
o Contributions to Federal Candidates	6,000
o Coordinated Party Expenditures	311,334
o Federal Election Activity	2,048,977
o Other Federal Disbursements	128,809
<b>Total Federal Disbursements</b>	<b>\$ 4,395,071</b>
<b>Federal Cash on hand @ December 31, 2004</b>	<b>\$ 50,562</b>
<b>Levin Cash on hand @ January 1, 2003</b>	<b>\$ 0</b>
<b>Total Levin Receipts</b>	<b>330,013</b>
<b>Total Levin Disbursements</b>	<b>296,132</b>
<b>Levin Cash on hand @ December 31, 2004</b>	<b>\$ 33,881</b>

<sup>2</sup> MDSC's bank statements did not show a negative balance because of a large amount of outstanding checks as of December 31, 2002.

## **Part III Summaries**

### **Findings and Recommendations**

#### **Finding 1. Cash Disbursements**

MDSC made 408 cash disbursements totaling \$62,552, each of which exceeded the \$100 transaction limit for cash disbursements. The Act requires political committees to make all disbursements, except those from a petty cash fund, by check or similar draft drawn on a committee account. In its response to the interim audit report, MDSC states that the amount in excess of the per-transaction limit was modest, that its log of the payments was scrupulously kept and that the facts present nothing untoward about the payments, but for the issue of the per-transaction limit. (For more detail, see p. 5)

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## Part IV

# Findings and Recommendations

### Finding 1. Cash Disbursements

#### Summary

MDSC made 408 cash disbursements totaling \$62,552, each of which exceeded the \$100 transaction limit for cash disbursements. The Act requires political committees to make all disbursements, except those from a petty cash fund, by check or similar draft drawn on a committee account. In its response to the interim audit report, MDSC states that the amount in excess of the per-transaction limit was modest, that its log of the payments was scrupulously kept and that the facts present nothing untoward about the payments, but for the issue of the per-transaction limit.

#### Legal Standard

**Disbursement by Check.** A political committee may only make expenditures in cash, not to exceed \$100 from a petty cash fund. A written journal for such cash expenditures is to be maintained by the treasurer. All other disbursements shall be made by check or similar draft drawn on account(s) established at the committee's campaign depository(ies). 2 U.S.C. §432(h).

#### Facts and Analysis

MDSC made 408 cash disbursements totaling \$62,552, each of which exceeded the \$100 transaction limit. These expenditures were to pay canvassers and vendors during the general election period. These cash expenditures were funded by eight checks and three wire transfers totaling \$120,175. Seven of the eight checks totaling \$70,562 were made out to "Cash." According to MDSC officials, a petty cash fund was not maintained. MDSC maintained records of the name, address, date, and amount paid for each canvasser.

The Audit staff presented this matter at the exit conference along with workpapers. MDSC representatives had no comment.

#### Interim Audit Report Recommendation and Committee's Response

The Audit staff recommended that MDSC:

- Demonstrate it complied with the provisions of 2 U.S.C. §432(h) regarding cash disbursements; or
- Provide any comments it deems relevant regarding the cash disbursements.

In its response, MDSC stated that the amount in excess of the per-transaction limit was modest, that its log of the payments was scrupulously kept and that the facts present nothing untoward about the payments, but for the issue of the per-transaction limit. MDSC also stated that due to logistical burdens in making payments for election-day and canvassing activities, the use of petty cash is a practical necessity and while the petty

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cash per-transaction limit has stayed static over the years, the costs of election-day activities have risen with inflation.

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